



GSL - Online

The Official Newsletter of the Montana Guaranteed Student Loan Program
A Division of the Office of the Commissioner of Higher Education

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Director's Den with Bruce Marks

Pinch Hitting for Bruce Marks – Associate Director Ron Muffick

As I look back on 2007, I would say that it was a challenging year for the student loan industry. We experienced the daily news stories regarding alleged wrong doing at the national level and the resulting changes from the College Cost Reduction and Access Act and the Final Rules that were published on November 1. But I can't help but smile and feel proud of the work we all do to help students go to school and specifically the accomplishments of MGSLP in the last year. I'd like to share a few of them with you while wishing you all a wonderful 2008.

2007 Highlights:

- MGSLP received notification that our latest cohort default rate (FY 2005) was 2.8%. This is the lowest cohort default rate ever for MGSLP. Congratulations to Corena Benjamin and her Default Prevention staff as well as to all of our partners in the default prevention process, including lender staff, financial aid staff and loan servicing staff across the state and region.
- MGSLP awarded a record amount of GSL grants to students. A total of \$500,000 was awarded for academic year 2007-08. That brings the total to \$1.2 million in MGSLP grants since the program's inception in 2004.
- MGSLP outreach staff conducted financial literacy training to a record number of high school students, 4,830.
- MGSLP is honored to be involved with and played a key role in improving three important programs that improve access to higher education: The Montana University System Honor Scholarship, The Governor's Postsecondary Scholarship Program and the Montana Family Education Savings Program.
- Finally, MGSLP and Great Lakes Higher Education agreed to continue our technology partnership for up to 10 more years. This agreement assures that schools will continue to receive cutting edge technology products (ScholarNet, FASTLoans, FASTPlus, FASTAwards, FASTGrad and the school portal) while receiving local service from MGSLP employees.

Wishing everyone a Happy New Year and continued success!

Ron

Guaranteed Loans: The Cheaper Alternative

According to an article on insidehighered.com, the most recent numbers released by the Department of Education show that the Guaranteed Student Loan Program would actually cost the government less per loan than the competing Direct Loan program, favored by some.

Supporters of the Direct Loan program have long argued that Direct Loans are cheaper than guaranteed Federal Family Education Loans (FFEL) due largely to the heavy subsidies that the government

pays to participating banks and guarantee agencies of the later.

The numbers released by the Education Department however show that the federal subsidy for direct loans would run at about 4.26% compared to a subsidy of only 1.72% for FFEL Loans. In other words, Direct Loans would cost about two and half times more to operate than Guaranteed Loans.

These numbers come as a relief to lenders and guarantee agencies participating

in the FFEL program, who have faced increased scrutiny this past year amidst the recent student loan scandals.

"For years Direct lending advocates have been touting Direct Loans as the cheaper alternative to FFELP," said Ron Muffick, MGSLP's Associate Director. "However, these new numbers show FFELP to be the more cost effective solution, while still providing a level of consumer choice, and better customer service enhanced with innovative new technologies"



Focus On: InvestorSure CD



The Montana Family Education Savings Program (MFESP), Montana’s 529 plan, recently introduced a new investment option to its suite of investments. Approved by the Montana Board of Regents at the September 2007 meeting, the new investment is a Certificate of Deposit(CD) called the InvestorSure, created by MFESP program administrator College Savings Bank.

performance of the S&P 500 market returns. While the new InvestorSure CD adds a level of risk to how much an investor can expect to earn, it does allow for investors to participate in the performance of the S&P 500 while still guaranteeing safety of principal invested (provided the five year CD is held to maturity).*

“This new product addresses those three areas and we are anxious to make it available to our Montana investors.” said Bruce Marks, Director of the Montana Guaranteed Student Loan Program.

The new certificate of deposit is designed to protect an investor’s initial principal but provides for a return which is indexed to the

The new product was designed to address the following issues:

For further information regarding all the investment options available through the Montana Family Education Savings (529) program, visit <http://montana.collegesavings.com>.

1. provide for stock market-like returns
2. offer safety of principal
3. no associated fees

* Be advised that a penalty would be applied to the principal investment should the certificate of deposit be subject to early withdrawal.

Focus On: College Cost Reduction and Access Act

H.R. 2669, The College Cost Reduction and Access Act (CCRAA) was signed into law on September 27, 2007, amending the Higher Education Act of 1965 and making a number of changes to federal financial assistance programs.

Key features of the legislation include:

- Increasing the family income threshold for auto-zero from \$20,000 to \$30,000 and adjust it annually by the Consumer Price Index.
- Incrementally reducing the interest rates on undergraduate subsidized loans from the current 6.8% to 3.4% by 2011. In addition, the CCRAA will also incrementally raise the maximum Pell Grant award by \$1090 by the 2012-2013 award year. For Montana, this would amount to over \$20.5 in additional award aid for the next 5 years.
- Establishing the Teacher Education Assistance for College and Higher Education (TEACH) grant program. TEACH provides \$4,000 a year (not to exceed \$16,000) for qualified students agreeing to teach in specific fields at high-need schools for four years within an eight year time frame.
- Altering certain rules pertaining to income based repayment for FFEL and Direct Loans. Specifically, it will set the borrower’s maximum annual repayment amount to no more than 15% of the difference between adjusted gross income and 150% of the poverty line based on family size. Any unpaid amounts will be forgiven after 25 years.
- Requiring an auction every two years for the origination of FFEL parent PLUS loans, starting July 1, 2009. In each state, lenders will bid on the minimum amount of subsidies they would accept to have exclusive rights to originate parent PLUS loans in that state.
- And increasing options for consolidating FFEL loans into a Direct Consolidated Loan for purpose of the Direct Loan only Public Service Loan Forgiveness Program, which was established with the passage of this bill.

Assuming a baseline max Pell Grant of \$4,310 in 2007-8, the maximum Pell Grant for:

- 2008-2009 and 2009-2010 will increase to \$4,800,
- 2010-2011 and 2011-2012 will increase to \$5,000
- 2012-2013 will increase to \$5,400

For the complete text of H.R. 2669, or to review a more comprehensive summary of the College Cost Reduction and Access Act, please visit the Library of Congress: Thomas at <http://thomas.loc.gov/>.



Focus On: Financial Aid

taught art, managed a convenience store, worked as a legal secretary and office manager and as an assistant to a CPA” recalls Jones. “Then I found my dream job in financial aid!”

According to Jones, “Financial aid has afforded me the opportunity to pursue my passion for creative problem solving while doing something that I truly believe matters. Helping students, sharing hopes and dreams, and working with the most amazing partners, colleagues and friends- my cup truly does runneth over”

As Financial Aid Director in an office of three full time employees, Jones has unique challenges in her job. “Montana Western is a campus in transition, with some growth and new challenges. The Experience

One (one class at a time) scheduling module has sort of rattle our cage a bit and in the process, made our inefficiencies glaringly obvious. We are streamlining, automating some processes, and in general working to make the FA process as friendly and painless as possible for students. I strive for an office that is fun and functional, for my staff and for our students” says Jones.

Jones has been with her college sweetheart, Blain Wenger, for more than 20 years, and have a furry child, of the canine variety, a Border Collie named Lena. When she retires from financial aid, “in about 20 years” quips Jones, “I want to golf, paint, do pottery and travel. It also should be noted that I am an avid sports enthusiast. Go Seahawks!!”

Better known to most in the Montana University System as Ricki, Erica Jones has been the financial aid director at Western for the past 10 years.

Originally from Libby Montana, Jones graduated from Montana Western in 1992 with a BS in Art and English secondary education. In 2005, she received an MBA from the University of Montana. “I have

Focus On: FASTChoice™

MGSLP is pleased to announce that FASTChoice™ is available online at all participating colleges and universities. FASTChoice™ provides college students and their parents with the tools necessary to compare student loans and select the one which best fit their individual needs.

FASTChoice™ is designed to help borrowers make informed choices among the nearly 3,200 loan options available. Key features of FASTChoice™ include:

- Detailed descriptions of each loan option along with guidance to help borrowers understand the information provided
- Different view options allowing borrowers to choose between displaying more options or more details on a page
- Separate lists for Stafford, Parent PLUS, Grad PLUS, and private loans
- Side-by-side loan comparisons of up to three loans

“By providing FastChoice™, MGSLP is helping financial aid offices to offer the best service for students and parents to make informed choices as they seek to navigate the ever changing and often complicated world of student loans”, said Ron Muffick, MGSLP’s Associate Director. “The product also gives the schools the tools they need to stay within compliance of the new Federal regulations.”

Housekeeping: (upcoming events; personnel news, etc.)

- High School Outreach Coordinator Michelle McNiven will be leaving GSL after almost a year and a half of service. Michelle has taken a new position with the Department of Health and Human Services, her last day at GSL will be January 11th.
- Default Prevention Counselor Erin Proctor will be leaving GSL after almost a year with the agency. She will be moving to Polson with her husband. Her last day will be January 11th.
- Keith Carparelli has joined GSL as the new Marketing Coordinator with the Business Relations team. Keith will be dealing primarily with lenders. Keith comes to GSL from the Student Assistance Foundation.
- The MGSLP office will be closed January 21st in observance of Martin Luther King Jr. Day.